

Bellevue Healthcare UCITS ETF

Sustainability-related disclosures in accordance with Article 10 of Regulation (EU) 2019/2088 in conjunction with Article 24 et seq. of Delegated Regulation (EU) 2022/1288

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This document contains mandatory information on the environmental and/or social characteristics of the funds mentioned. It is not advertising material. This information is required by law in order to transparently explain the environmental and/or social characteristics advertised by the funds mentioned.

Summary

The Fund promotes environmental/social (E/S) characteristics and while it does not have as its objective sustainable investment, it will have a minimum proportion of 25% of sustainable investments with a social objective.

The Fund promotes environmental and/or social characteristics as part of the implementation of its investment objectives, in accordance with the provisions of Article 8 of the EU Disclosure Regulation 2019/2088 (EU SFDR). The characteristics are as follows:

- promoting increased investment in companies within the investable universe that exhibit a minimum level of resilience to sustainability risks and opportunities.
- promoting the reduction of investment in companies which seriously violate the OECD Guidelines for Multinational Enterprises, the UN Global Compact, the UN Guiding Principles on Business and Human Rights Compliance and standards and rights of the International Labor Organisation.
- promoting the reduction of investment in companies that are operating in controversial industries due to their elevated sustainability and reputational risks.

The investment objective of the Fund is to provide long-term capital growth from an actively managed portfolio comprising listed equity and equity-related securities of companies in the healthcare sector or companies which primarily invest in or finance such companies.

The Fund will invest a minimum of 75% of its assets in investments aligned with the promoted environmental and/or social characteristics. The remaining proportion of the investments, maximum 25% of the Fund's assets, are intended to be held in hedging instruments, investments for diversification purposes, or cash for liquidity management. The Fund intends to invest a minimum of 25% of its assets in socially sustainable investments with 50% of the Fund's portfolio comprising investments that promote the Fund's environmental and/or social characteristics but need not qualify as sustainable investments.

Minimum investment thresholds and exclusions are monitored through rules embedded in the portfolio management system and overseen by the investment manager's Risk Management function, to ensure continuous compliance with fund requirements

The characteristic "Minimum level of resilience to sustainability risks and opportunities" is attained, if a company achieves a minimum MSCI ESG rating of "BB" or above as measured by the MSCI ESG rating methodology. The characteristic "reduction of investment in companies which seriously violate UN global norms" is attained, if a company is rated with a "pass" or "watchlist" status according to the MSCI ESG Controversies and Global Norms methodology. The characteristic "reduction of investment in companies that are operating in controversial industries" is attained, if a company is not involved in controversial industries (details below).

Data from MSCI ESG Research is used as a primary basis.

The data sources used may be incomplete or may not lead to an appropriate assessment of the ESG characteristics described in all cases as a result of systematic weaknesses in the methodology of third-party ESG research providers.

The Investment Manager selects securities using a proprietary, bottom-up investment process driven by fundamental research and a conviction approach.

Please note that engagement is not part of the promotion of E/S characteristics for the Fund.

For the purpose of attaining the environmental and/or social characteristics promoted by the Fund, no reference benchmark is designated.

No sustainable investment objective

The Fund promotes environmental/social characteristics and while it does not have as its objective sustainable investment, it will have a minimum proportion of 25% of sustainable investments with a social objective.

The socially sustainable investments that the Fund makes will be in companies that make positive contributions, amongst other, to one or more of the following social objectives of the UN SDG's:

- UN SDG No 3 (Good Health and Well Being)
- UN SDG No 1 (No Poverty)
- UN SDG No 5 (Gender Equality)
- UN SDG No 8 (Decent Work and Economic Growth)
- UN SDG No 10 (Reduced Inequalities)

These objectives consider elements of the social objectives according to Art 2 (17) of SFDR such as promotion of social cohesion, inclusion and equality and access to essential services (such as healthcare).

Environmental or social characteristics of the fund

The characteristics are as follows:

promoting increased investment in companies within the investable universe that exhibit a minimum level of resilience to sustainability risks and opportunities (environmental and social). Sustainability risks means a company's exposure to potentially material ESG risks and the quality of management systems and structures to mitigate potential ESG risks (i.e. how well is a company prepared for and able to manage ESG risks), while sustainability opportunities means a company's positioning to meet market demand for the provision of products and services that have a positive environmental or social contribution (i.e. how well can a company capitalize on ESG-related opportunities);

promoting the reduction of investment in companies which seriously violate the OECD Guidelines for Multinational Enterprises, the UN Global Compact, the UN Guiding Principles on Business and Human Rights Compliance and standards and rights of the International Labor Organisation (environmental and social) (the "UN Global Norms"). Companies that breach UN Global Norms may face significant legal, regulatory, operational and reputational risks, which can lead to long-term financial underperformance. Investing in alignment with the UN Global Norms aims to support companies that uphold fundamental standards in human rights, labour, environment and anti-corruption; and

promoting the reduction of investment in companies that are operating in controversial industries due to their elevated sustainability and reputational risks. Controversial industries mean companies involved in: controversial weapons, tobacco production, distribution of tobacco, thermal coal, fracking/oil sands, pornography, gambling and palm oil. These industries are frequently linked to significant negative impact on society and the environment, and are increasingly subject to regulatory pressure and public scrutiny.

Investment strategy

The investment objective of the Fund is to provide long-term capital growth from an actively managed portfolio comprising listed equity and equity-related securities of companies in the healthcare sector or companies which primarily invest in or finance such companies.

The healthcare sector includes companies from the pharmaceutical, medical technology, biotechnology and related sectors. This includes in particular companies that create, develop, utilise, market and/or sell processes, methods, technologies, products or services used for diagnostic and therapeutic purposes in humans and animals, as well as entities primarily engaged in investing in or financing such companies.

The Fund is actively managed. Investors should note that the Fund will not seek to track the performance of or replicate the MSCI World Healthcare Index (the “Benchmark”), rather the Fund will hold a portfolio of listed equity and equity-related securities of companies (which include but will not be limited to directly investing in Benchmark securities, American depositary receipts and convertible securities (other than contingent convertible securities)) which is actively selected and managed with the aim of delivering an investment performance which exceeds that of the Benchmark over the long-term. In order to seek to achieve this, the Investment Manager selects securities using a proprietary, bottom-up investment process driven by fundamental research and a conviction approach as follows: conviction is determined through a comprehensive analysis of a company’s 1) relative strength of fundamentals, 2) valuation, 3) research depth and differentiation and 4) potential stock catalysts. The Investment Manager may overweight positions in high-conviction securities while underweighting or excluding those with low conviction.

Proportion of investments

The Fund will invest a minimum of 75% of its assets in investments aligned with the promoted environmental and/or social characteristics. The remaining proportion of the investments, approximately 25% of the fund’s assets, are intended to be held in hedging instruments, investments for diversification purposes, or cash for liquidity management.

The Fund intends to invest a minimum of 25% of its assets in socially sustainable investments with 50% of the Fund’s portfolio comprising investments that promote the Fund’s environmental and/or social characteristics but need not qualify as sustainable investments.

The Fund does not commit to a minimum investment in environmentally sustainable investments that are aligned with the Taxonomy Regulation.

Monitoring of environmental or social characteristics

Minimum investment thresholds and exclusions are monitored through rules embedded in the portfolio management system and overseen by the investment manager’s Risk Management function, to ensure continuous compliance with fund requirements. A quarterly summary of key ESG information is provided to the Executive Board of Bellevue Asset Management AG as well as to the Board of Directors of Bellevue Group.

Methodologies

The characteristic “Minimum level of resilience to sustainability risks and opportunities” is attained, if a company achieves a minimum MSCI ESG rating of “BB” or above as measured by the MSCI ESG rating methodology. The MSCI ESG rating methodology considers over 35 ESG criteria across three core pillars (environmental, social, governance), with 6–10 key issues typically evaluated per company based on relevance. Environmental key issues encompass e.g. carbon emissions, water stress, toxic emissions & waste. Social key issues focus amongst others on product safety & quality, labor management, privacy & data security and governance key issues contain e.g. corporate governance, business ethics, tax transparency. The MSCI ESG rating scale ranges from AAA (“leader”) to CCC (“laggard”).

The characteristic “reduction of investment in companies which seriously violate UN global norms” is attained, if a company is rated with a “pass” or “watchlist” status according to the MSCI ESG Controversies and Global Norms methodology. The Fund must not invest in companies that exhibit serious controversies regarding the UN Guiding Principles on Business and Human Rights Compliance and standards and rights of the International Labor Organisation according the MSCI ESG Controversies and Global Norms methodology (as measured by a “fail” status under MSCI’s ESG methodology and described below). An ESG controversy case arises when reported negative environmental or social impacts are allegedly caused or contributed to by a company, or are otherwise linked to the company’s operations, value chain, products, or services. It can also occur when the company is allegedly involved in misconduct that is seen as enabling adverse impacts. For each controversy case, MSCI ESG determines a) the severity of the case based on the alleged nature of harm and scale of impact, and application of specific exacerbating or extenuating circumstances: very severe, severe, moderate or minor, b) the role of the company implicated in the case: direct or indirect and c) the status of the case: ongoing, partially concluded, concluded, archived or historical concern. Based on these three inputs, an overall score and a corresponding flag are determined. A red flag (“fail”) indicates, that a company is directly involved in one or more very severe ongoing ESG controversy cases.

The characteristic “reduction of investment in companies that are operating in controversial industries” is attained, if a company is not involved in following controversial industries or it is involved but with a lower revenue exposure compared to the revenue thresholds mentioned below. Controversial industries are defined and measured as follows: Controversial weapons (revenue threshold 0%), tobacco production (revenue threshold 5%), distribution of tobacco (revenue threshold 20%), thermal coal (revenue threshold 5%), fracking/oil sands (revenue threshold 5%), pornography (revenue threshold 5%), gambling (revenue threshold 5%), palm oil (revenue threshold 5%). The involvement in a controversial industry and respective revenues are measured by MSCI ESG data.

Data sources and processing

The Fund uses various data sources to assess and measure ESG characteristics. Primarily, data from MSCI ESG Research is used as a basis. Based on insights from our proprietary fundamental analysis, aggregated ESG ratings from external providers are assessed. In some cases, suspected ESG laggards are subject to additional analyses. Both our own analyses and the sustainability data made publicly available via Bloomberg (ESGD) are suitable for this purpose. The determination of an internally revised ESG rating does not take place due to a lack of external traceability.

Limitations of the methodology and data

The data sources used may be incomplete or may not lead to an appropriate assessment of the ESG characteristics described in all cases as a result of systematic weaknesses in the ESG methodology of third-party providers. For example, in the case of biotechnology companies, MSCI ESG heavily weights the “Access to Healthcare” criterion. Innovative biotech companies that are only at the research stage cannot, by definition, fulfill this criterion or can only do so inadequately and are thus systematically undervalued.

Isolated data gaps and any objective misjudgments resulting from weaknesses in the ESG rating methodologies are filled to the best of our knowledge and belief by our own assessments from fundamental stock analysis or by consulting other data sources and third-party providers. Issuers without ESG research coverage are automatically allocated to the quota for which an assessment of the social or environmental characteristics cannot be made in full. The investment manager cannot guarantee accuracy and completeness of those data.

Due diligence

The Investment Manager selects securities using a proprietary, bottom-up investment process driven by fundamental research and a conviction approach as follows: conviction is determined through a comprehensive analysis of a company’s 1) relative strength of fundamentals, 2) valuation, 3) research depth and differentiation and 4) potential stock catalysts. The Investment Manager may overweight positions in high-conviction securities while underweighting or excluding those with low conviction.

Engagement policy

Portfolio managers engage in an active and constructive dialogue with the management or other relevant representatives of the portfolio companies with regard to environmental, social and governance aspects. If there are indications of controversial sustainability aspects, these are raised with the company and progress is documented over time. Please note that engagement is not part of the promotion of E/S characteristics for this fund.

Designated reference benchmark

For the purpose of attaining the environmental and/or social characteristics promoted by the Fund, no reference benchmark is designated.

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